



REPLY TO
ATTENTION OF

DEPARTMENT OF THE ARMY
HEADQUARTERS, UNITED STATES ARMY CADET COMMAND
FORT MONROE, VIRGINIA 23651-1052

ATCC-R (735)

18 June

2001

MEMORANDUM FOR

Commander, U.S. Army First Region (ROTC), U.S. Army Cadet
Command (ATOA-HS), Ft Bragg, NC 28310-5000
Commander, U.S. Army Second Region (ROTC), U.S. Army Cadet
Command (ATOB-HS), Ft Knox, KY 40121-5610
Commander, U.S. Army Fourth Region (ROTC), U.S. Army Cadet
Command (ATOD-HS), Ft Lewis, WA 98433-9512

SUBJECT: Memorandum of Instruction (MOI) - Bonding and
Insurance Process

1. Purpose. This MOI provides instruction and guidance on the basic policies, procedures, requirements, compliance options, and maintenance of the command-wide bonding and insurance program. Follow-on Bond and Insurance guidance reengineered to improve the overall process from top to bottom will be published and disseminated in the near future.

2. Scope. Educational institutions hosting Junior Reserve Officers' Training Corps (JROTC) units are the major users of the bond and insurance program. National Defense Cadet Corps (NDCC) host schools only require a bond or insurance if they have been issued government property, free of charge, paid for with appropriated government funds, and the institution or school has accepted responsibility for the property.

3. Basis for bond/insurance coverage.

a. The Reserve Officers' Training Corps (ROTC) Vitalization Act of 1964, Public Law 88-647, and Title 10, United States Code section 2031, authorizes the Secretary of the Army (SOA) to provide all required government property, free of charge, to institutions and secondary schools hosting JROTC units. All government property issued must be safeguarded and cared for by requiring each JROTC host institution/Director of Army Instruction (DAI) operation to provide a bond or insurance. Institutions hosting JROTC or

NDCC units must post a bond or other indemnity to cover all government property. Coverage will not be less than \$5,000.

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b. Prior to October 1998, the bond/insurance program was managed by each Region. In 1998-1999, this responsibility was transferred to HQs, U.S. Army Cadet Command (USACC). A review of current program operation has shown the need for new and revised instructions for effective management.

c. HQs, USACC will ensure that the required bond/insurance coverage is current and maintained in accordance with statutory, regulatory, and contractual requirements (Encl).

4. Instructions for establishing a bond or insurance for a new JROTC unit.

a. When an educational institution or school board determines that sufficient interest exists to establish a JROTC unit, institution official will complete DA Form 3126 (Application and Contract for Establishment of a Junior ROTC Unit), or a DA Form 3126-1 (Application and Agreement for Establishment of a National Defense Cadet Corps Unit (NDCC)) and submit it to the appropriate ROTC Brigade HQs.

b. Safeguarding and caring for government property (by bond or insurance) is listed as a school responsibility in the DA Form 3126. The official signing the application agrees to the bond or insurance requirement for the host institution. The institution's legal authorities should review the application and contract.

c. Once an application is received in the Junior ROTC Directorate HQ, USACC, it will be placed on the waiting list for new units. When it appears that a unit might be funded for opening in the near future, the application and contract are reviewed for completeness. The Brigade Commander will appoint a survey officer to visit the school, perform a facilities inspection, and brief school officials on the responsibilities outlined in the application and contract document. The survey officer will determine whether or not a school can meet the contractual requirements to host a

JROTC/NDCC unit, and will provide Junior ROTC Directorate their recommendation.

d. The Junior ROTC Directorate HQ, USACC, reviews the facility inspection and will combine that with the application and contract documents. The Junior ROTC Directorate determines if the new host school will be included under a multiple school

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consolidation plan (DAI). This determination is critical for logistics and supply purposes. Each school within a DAI group is considered a single entity for bonding and insurance purposes.

e. The superintendent or principal (person who signs the DA Form 3126 or 3126-1) is considered the Head of the Educational Institution (HOEI). The HOEI will represent the school in all matters pertaining to the JROTC program. This includes obtaining and maintaining bond or insurance coverage. The HOEI will select and appoint, by letter, the Military Property Custodian (MPC).

f. The bond or insurance document, along with the application/contract, will be forwarded through the Brigade and Region to HQ, USACC, Junior ROTC Directorate. Junior ROTC Directorate will compile the complete packet and send it to the Staff Judge Advocate. Copies will be provided to Resource Management and Logistics Directorate (RM&LD) for review. When approved by SJA, the application is forwarded to Department of the Army (HQDA) for signature and the General Order establishing the new JROTC unit.

g. The Junior ROTC Directorate, HQ USACC, will notify the HOEI when the new unit is authorized to begin operation. The school's HOEI must finalize the hiring of JROTC personnel and ensure that the required bond/insurance, as well as the appointed MPC, are in place before government funding and equipment may be provided. A Unit Identification Code (UIC) and Department of Defense Activity Address Code (DODAAC) will be furnished by USACC (RM&LD) to allow the newly appointed MPC to requisition government property. The brigade

representative assisting the new unit will ensure the appointed MPC has submitted supply requisitions to outfit the unit, and established contact with the assigned Supply Support Activity (SSA).

h. All government property, including Information Management Processing Equipment (IMPE), must be accounted for upon receipt at the JROTC unit. Each unit must initiate and maintain a signature card (DA Form 1687). This card authorizes trusted individuals to receipt for property deliveries when the appointed MPC is not present at the school or supply room facility. All property paid for with appropriated funds must

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be included on the annual property inventory and annotated on the unit's formal and informal property records.

5. Maintaining the bonds and insurance.

a. All bonds or insurance exist for the purpose of safeguarding government property, and must be maintained by the institution in a current premium paid condition at all times.

Bond or insurance beneficiary or payee must be shown as the U.S. Army.

b. All bonds must be reviewed triennially by HQ USACC (RM&LD) to insure that no changes have occurred and surety premium payments are current. The institution or school will provide the bond package to USACC for review before the current three-year period has expired.

c. All insurance coverage must be reviewed annually by HQ, USACC (RM&LD). This also applies to each Affidavit of Insurance. The only exception to the annual review is if the host institution has amended in writing an existing commercial property liability policy, making the U.S. Army an "Additional Endorsed Insured" beneficiary. In this instance, the amount must be equal to or more than the established inventory value of all government property issued to the JROTC unit. The host institution must state on the policy amendment when payments are due. The payment due date

determines when the host must provide Cadet Command with a renewal certificate. HQ, USACC must be notified in writing when any changes are contemplated which involve the amended policy.

d. Additional Endorsed Insured Policy amendments will be provided to HQ, USACC (RM&LD) by the policy administrator, with an Affidavit of Insurance to affirm the details of coverage for the government property issued to the JROTC unit.

e. No changes to bonds or insurance documents will be undertaken without notifying HQ, USACC. The face amount of the bond or insurance will equal or exceed replacement value of all government property, but in no case will it be less than \$5,000.

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f. In instances involving self-insurance, a DA Form 1622 (Bond for Safekeeping of Government Property Issued to Educational Institutions) must be completed which affirms that the institution or school accepts financial responsibility for full replacement value of all government property issued to the maker of the bond (self-insured party).

g. All bonds and insurance renewals are to be sent directly to Cadet Command Headquarters at the following address:

Commander
U. S. Army Cadet Command
Resource Management and Logistics Directorate
ATTN: ATCC-RM
Bldg 243, 16 Murray Street
Fort Monroe, VA 23651-1052

6. Claims against the bond or insurance policy.

a. A DA Form 4697 (US Army Report of Survey) is filed to obtain reimbursement for the U.S. Army concerning loss, damage, or destruction of government property.

b. If the host institution is found negligent, the Report of Survey approving authority sends a letter to the HOEI requesting the school invoke the bond, or initiate claims action against the insurance maker to reimburse the U.S. Army. Bonds with surety are invoked either by the school or by the Army with a request to the surety company. Bonds without surety are strictly between the host school and the Army.

c. In cases involving self-insurance, a DA Form 1622 must be completed affirming the institution or school accepts financial responsibility for full replacement value of all government property issued to the self-insured party.

7. Inventories. A 100 percent inventory of government property must be completed yearly. This is a mandatory requirement since it drives the amount of bond or insurance coverage required, and provides all concerned parties with a record of property replacement values. Do not include items of former government property purchased or acquired through other

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than government channels (surplus property donations, etc.) by the host.

8. Questions concerning the procedures in this MOI should be addressed to HQ Cadet Command, Resource Management Logistics Directorate, ATTN: ATCC-RM, Mr. Robert H. Taasaas at (757) 788-5465 or taasaasr@monroe.army.mil.

FOR THE COMMANDER:

SIGNED

Encls

1. References

RONALD M. BOUCHARD
Colonel GS

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|----|------------------------|----------------|
| 2. | Responsibilities | Chief of Staff |
| 3. | Terms and Abbreviation | |
| 4. | DA Form 3126-1 | |
| 5. | DA Form 1622-R | |
| 6. | DA Form 4697 | |
| 7. | DA Form 1687 | |

REFERENCES

Required publications for management of the bond/insurance program.

AR 145-2

Junior Reserve Officers Training Corps' Program - Organization, Administration, Operation, and Support. Cited in Chapter 2.

AR 190-11 (Update 10-3)

Physical Security of Arms, Ammunition, and Explosives (with FORSCOM/TRADOC Supplement 1).

AR 190-13 (Update 10-3)

The Army Physical Security Program.

AR 190-40

Serious Incident Reporting.

AR 190-51 (Update 10-3)

Security of Unclassified Army Property (Sensitive and Nonsensitive).

AR 380-5

Department of the Army Information Security Program.

AR 385-10

Army Safety Program.

AR 700-84

Issue and Sale of Personal Clothing.

AR 710-2

Inventory Management Supply Policy below the Wholesale Level. Cited in Section V, paragraph 2-24c.

AR 710-3

Asset Transaction Reporting System.

AR 735-5

Policies and Procedures for Property Accountability Cited in Chapter 10, paragraphs 10-3, and 10-5.

AR 840-10

Flags, Guidons, Streamers, Tabards, and Automobile and Aircraft Plates.

DA Pam 710-2-1

Using Unit Supply System (Manual Procedures).

CCR 700-1

Cadet Command Standard Policy and Procedures.

CTA 50-900

Clothing and Individual Equipment.

CTA 50-909

Field and Garrison Furnishings and Equipment.

CTA 50-970

Expendable/Durable Items (Except Medical, Class V, Repair Parts and Heraldic Items).

RESPONSIBILITIES

1. The Commanding General, U.S. Army Cadet Command acts with Secretary of the Army authority to maintain overall management and control of government property issued to JROTC host institutions or schools.
2. The U.S. Army Cadet Command Junior Reserve Officers' Training Corps Directorate is responsible for establishing Junior ROTC and National Defense Cadet Corps host schools.
3. The U.S. Army Cadet Command Resource Management and Logistics Directorate is responsible for managing the Command Bonding and Insurance Program IAW Public Law 88-647 and Army regulatory guidance.
4. School districts are responsible for all government property issued to their respective school(s). They are to comply with responsibilities assumed by signing the application and contract to establish Junior ROTC at school(s) under their supervision.
5. Military Property Custodians act for the HOEI and, once appointed, assume pecuniary responsibility for managing and securing all government property issued to the school.

Encl 2

TERMS AND ABBREVIATION

Terms: (defined as used in this MOI. Abbreviations are included in parenthesis with the term where applicable)

Additional Endorsed Insured (AEI) - means that the JROTC host has amended, in writing, an existing commercial property liability insurance policy to show that the U.S. Army is an AEI on that policy for the purpose of insuring government property for replacement value. No deductibles are allowed.

Affidavit of Insurance (AOI) - a legal document made and signed by the HOEI affirming certain facts essential to a clear understanding between the host and the U.S. Army concerning safeguard and care of issued government property. This document must be notarized.

Automation Equipment - see IMPE below.

Beneficiary (payee) - will always be stated as U.S. Army on the bond/insurance policy in accordance with regulations concerning government property.

Bond - a promise to pay (a bond is not insurance).

Bond - (Conditional) payable only after certain conditions are met: loss, damage, or destruction of government property apply as conditions under this program.

Bond with surety - a completed DA Form 1622R showing a surety company approved by the U.S. Treasury and for a value equal to the value of the government property safeguarded - but never for less than \$5,000 dollars.

Bond without surety - a completed DA Form 1622R showing that the institution or secondary school accepts financial responsibility in an amount sufficient to pay for replacement of government property, but never for less than \$5,000 dollars.

Department of Army (DA) Form 3126, Application and Contract for Establishment of a Junior Reserve Officers' Training Corps Unit - form used by a school that desires to establish a Junior ROTC unit. School administrators must agree to the conditions of the contract. Forms may be obtained from the U.S. Army Cadet Command.

Director of Army Instructor (DAI) - multiple JROTC host schools grouped under a Senior DAI in the same school district for consolidation of operations, supply, and logistics purposes.

1

DODAAC - Department of Defense Activity Address Code used to provide the logistics community with an encoded address for use in automated systems.

Former government property - describes items that for all practical purposes are items that are in fact government property, or resemble government property. The difference being that the items were obtained from an authorized government source or purchased with host funds. Such items should be stored separately and stenciled with the letters SP (School Property)

General Order (GO) - document signed by the Secretary of the Army's (SOA) office authorizing operation of a JROTC unit at a specific school. GO is issued upon signing of the application and contract (DA Form 3126) by SOA representative.

Government Property - authorized property acquired by the government, which is issued to a JROTC unit, specifically for use in the JROTC program to support cadets and conduct training. Kinds of property which may be found in a typical JROTC unit (but not limited to these listed) are uniforms, drill rifles, air rifles, telescopes, visual/training aids, field training equipment, IMPE, etc. Government property is acquired with Reserve Personnel Army (RPA) or Operations and Maintenance Army (OMA) funds.

Host Institution - college or university hosting a Senior ROTC unit and accepting responsibility for issued government property.

Host Secondary School - high school or military schools at the secondary level and hosting a Junior ROTC unit, or National Defense Cadet Corps Unit (NDCC). (Sometimes used interchangeably with the term "institution.")

Head of the Educational Institution (HOEI) - person duly appointed by institution or school board resolution action to represent the board to the Commander, United States Army Cadet Command in all matters pertaining to the Reserve Officers' Training Corps units hosted by the appointing board. Person selected is normally the Principal or Superintendent of Schools.

2

Information Management Processing Equipment (IMPE) - commonly called automation equipment. Included are computers/peripheral items, copiers, facsimile machines, etc.

Insurance - means a commercial property liability insurance of a value sufficient to pay for replacement of all government property maintained by the host institution or school as indicated on the last 100% annual inventory.

Military Property Custodian (MPC) - person selected, and appointed by the HOEI to manage the government property to be issued to the host. May or may not be the Army Instructor employed by the school.

Public Law 88-647 - refers to the ROTC Vitalization Act of 1964. This law provides all government property, free of charge, to institutions and secondary schools hosting units of the JROTC program. Under this law, all government property issued must be safeguarded and cared for by requiring each JROTC host institution to provide a bond or insurance.

Self-Insurance - means that the self-insured JROTC host school accepts financial responsibility for government property and has determined that adequate funds are available to pay claims on demand. A bond form (DA Form 1622) is completed.

Surety - a U.S. Treasury Office approved lender who provides third party (U.S. Army) coverage of a bond agreement between the host and the surety.

Survey Officer - Region/Brigade with geographical responsibility provides a survey officer to go to the school for the purpose of reviewing and approving facilities, and to brief the appointed head of the educational institution on contract responsibilities of a host school.

The 100 percent annual inventory - keystone of the bonding and insurance program. It provides the actual item name, quantity, and replacement value of each item of government property issued to host institutions or schools.

Unit Identification Code (UIC)- A six character, alphanumeric code that uniquely identifies the particular JROTC unit. This code is used together with the DODAAC to requisition government property.